



Mitt Romney
Governor

Kerry Healey
Lieutenant Governor

Daniel A. Grabauskas
Secretary of Transportation

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

The Commonwealth of Massachusetts
Executive Office of Transportation and Construction
Ten Park Plaza, Boston, MA 02116-3969

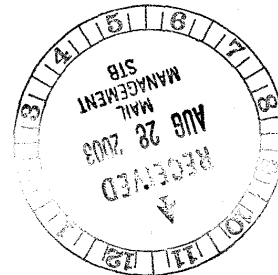
Office of the Secretary

AUG 23 2003

Director

August 26, 2003

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Re: **STB Finance Docket No. 33388 (Sub-No. 94)**

Dear Secretary Williams:

The Commonwealth of Massachusetts supported the acquisition of Conrail lines by CSX and NS in STB Finance Docket 33388, based upon a constructive agreement dated October 31, 1997, and executed by the Executive Office of Transportation and Construction, on behalf of the Commonwealth of Massachusetts, and CSX (the "CSX/Commonwealth Agreement" or "Agreement").

The CSX/Commonwealth Agreement addresses specific concerns identified by the Commonwealth and is expected to bring about economic balance and enhance passenger/freight rail operational coordination within the Commonwealth. The Agreement contemplates meaningful cooperation and negotiation on a number of issues of high priority concern to the Commonwealth. These issues include the Commonwealth's interest in extension of commuter rail service and resolution of ownership and operation of acquired lines deemed to be of critical importance to the Commonwealth.

While the Commonwealth did not request that the Board impose the stipulations and commitments established in the Agreement as conditions to Decision No. 89, we understand that the Board retained oversight over the transaction to confirm that conditions imposed by the Board, and specific agreements between CSX (or NS) and concerned parties would be fulfilled within a reasonable time (3 to 5 years) after approval of the proposed acquisition.

The involved parties now seek to simplify the ownership structure that resulted from the acquisition and control of Conrail by CSX and NS as approved by the Board in Decision No. 89. The Commonwealth supports simplification of the ownership structure, with the

expectation that such simplification will redound to the benefit of the Commonwealth and its constituents through increased efficiency and economy in rail service.

We note that one of the objectives sought by petitioners is removal of impediments to dispositions of property by the respective carriers. In this regard, we wish to emphasize that CSX has committed to discuss the Commonwealth's interests in extensions of commuter rail services with flexibility of options as to funding, ownership and operation of acquired lines. These discussions have been ongoing as they relate to various projects, but they have not yet been concluded. We look forward to continued cooperation in ongoing discussions with CSX regarding future disposition of properties in connection with passenger rail, freight rail and rail banking initiatives.

The Commonwealth expects that the commitments referenced in the CSX/Commonwealth Agreement will be resolved to the mutual satisfaction of the parties under the continued oversight of the Board. We anticipate that discussions between the parties will be completed and any outstanding matters of dispute resolved before CSX moves forward with new proposals for abandonment or sale of former Conrail lines within the Commonwealth. We are prepared to complete constructive discussions with CSX with that goal in mind.

As noted above, we are supportive of the proposed rationalization of the Conrail ownership restructure to the extent such rationalization will remove unnecessary obstacles to the efficient and cost-effective management of these rail assets. We remain concerned, however, that CSX may choose to proceed rapidly with disposition of rail assets currently within the NYC Allocated Assets. In order to ensure the orderly disposition of these properties to best serve the public interest, and recognizing the timeframes required to ensure adequate planning and funding, the Commonwealth is seeking to develop with CSX appropriate timeframes for prospective sales of Conrail/CSX properties to the Commonwealth and/or its agencies or authorities.

In addition to its support for the proposed rationalization of ownership structure sought herein the Commonwealth urges that the Board retain oversight over the underlying transaction through June 2004, as contemplated by Decision No. 89 and subsequent oversight decisions, to ensure full compliance with that Decision and related agreements between concerned parties.

Respectfully,



Daniel A. Grabauskas
Secretary of Transportation

Cc: Parties of record